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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of April 1, 1975,

between

NORTH AMERICAN CAR CORPORATION

and

REPUBLIC NATIONAL LEASING CORPORATION

LEASE OF RAILROAD EQUIPMENT dated as of April 1, 1975, between NORTH AMERICAN CAR CORPORATION (hereinafter called the Lessee), and REPUBLIC NATIONAL LEASING CORPORATION (hereinafter, together with its successors and assigns, called the Lessor).

WHEREAS the Lessor is entering into a conditional sale agreement dated as of the date hereof with PULLMAN INCORPORATED (Pullman-Standard division) and NORTH AMERICAN CAR CORPORATION, in its capacity as builder (such agreement, together with any supplements thereto, being hereinafter referred to as the Security Document and such parties being hereinafter collectively called the Builders or severally called the Builder) wherein the Builders have severally agreed to manufacture, sell and deliver to the Lessee the units of railroad equipment described in Schedule A hereto (hereinafter collectively called the Units);

WHEREAS each Builder is assigning its interest in the Security Document to American National Bank & Trust Company of Chicago, as agent under a Finance Agreement dated as of the date hereof in the form annexed to the Security Document as Annex E (hereinafter called the Finance Agreement) with the party named in Schedule A thereto (said bank, as so acting, together with its successors and assigns, being hereinafter called the Vendor) pursuant to an Agreement and Assignment dated as of the date hereof (hereinafter called the Assignment);

WHEREAS the Lessee desires to lease all the Units or such lesser number as are delivered and accepted on or prior to July 1, 1975, and settled for under the Security Document on or prior to August 31, 1975, at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor is assigning for security purposes under the Security Document its rights in, to, and under this Lease to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment);

WHEREAS the Lessee is entering into Lessee's Consent and Agreement, dated the date hereof (hereinafter called the Consent), by the terms of which Lessee consents to the assignment of the Lease;

or points within the United States of America at which such Unit is delivered to the Lessor under the Security Document. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Document, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one interim rental payment payable on July 1, 1975, and 34 consecutive semiannual rental payments, payable on January 1 and July 1 commencing on January 1, 1976. The interim rental payment due and payable on July 1, 1975, for each Unit then subject to this Lease shall be in an amount equal to the sum of (i) an amount equal to the product of 68.67% of the Purchase Price (as such term is defined in the Security Document) of each Unit then subject to this Lease, multiplied by the daily equivalent of $11\frac{1}{8}\%$ for each day (computed on the basis of a 360-day year of 12 30-day months) elapsed from the date each such Unit is settled for under the Security Document to July 1, 1975, plus (ii) an amount equal to the product of 31.33% of the Purchase Price of each such Unit then subject to this Lease and settled for pursuant to the Security Document multiplied by .0263889% for each day elapsed from the date each such Unit was settled for under the Security Document to July 1, 1975. The 34 semiannual rental payments due on each January 1 and July 1, in each year commencing on January 1, 1976, shall be in an amount equal to 4.895% of the Purchase Price of such Unit (the "Basic Lease Rate"); provided, however, that there shall be deducted from the semiannual rental payment due on January 1, 1976, the sum of (i) an amount equal to the product of 68.67% of the Purchase Price of each Unit then subject to this Lease which is settled for pursuant to the Security Document after June 30, 1975, multiplied by the daily equivalent of $11\frac{1}{8}\%$ for each day (computed on the basis of a 360-day year of 12 30-day months) elapsed from July 1, 1975, to the date on which each such Unit was settled for pursuant to the Security Document, plus (ii) an amount equal to the product of 31.33% of the

Purchase Price of each Unit settled for pursuant to the Security Document after June 30, 1975, multiplied by .0263889% for each day elapsed from July 1, 1975, to the date each such Unit is settled for under the Security Document.

The rental payments hereinbefore set forth are subject to adjustment pursuant to § 19 hereof; provided, however, that no such adjustment shall reduce the amount of rentals below that which is necessary to satisfy the obligations of the Lessor under the Security Document.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Dallas, Texas, or Chicago, Illinois are authorized or obligated to remain closed.

Unless the Lease Assignment is not executed and delivered, the Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease at the principal office of the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the Security Document, known to the Vendor to be due and payable on the date such payments are due and payable hereunder, and second, so long as no event of default under the Security Document shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing. If the Lease Assignment is not executed and delivered, all payments provided for in this Lease shall be made at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available funds in the city where such payment is to be made.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units, or under the Security Document, are subject to the rights of the Vendor under the Security Document. If an event of default should occur under the Security Document, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee will for the benefit of the Lessor and the Vendor cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed under the Interstate Commerce Act, Section 20c" or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the Security Document. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation

that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee, its affiliates or any authorized sublessees under Section 12 hereof.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal, or foreign taxes (other than any United States federal income tax [and, to the extent that the Lessor receives credit therefor against its United States federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or city income taxes or franchise taxes measured solely by net income based on such receipts, or gross receipts taxes [other than gross receipts taxes in the nature of sales or use taxes], up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Document, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, interest, property or rights of the Lessor hereunder or the Vendor under the Security Document. If any impositions shall have been charged

or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the Security Document or any other correlative provision of the Security Document not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor, as additional rental hereunder, as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any reports with respect to impositions are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Vendor in such Units or notify the Lessor and the Vendor of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in its own name and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Payment for Casualty Occurrences; Insurance.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, or permanently rendered unfit from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease, any extended term hereof or until such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule set out below in this § 7. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. If the date upon which the making of such payment by the Lessee in respect of any Unit is required as aforesaid shall be after the term of this Lease in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term but the Lessee, in addition to paying the Casualty Value for such Unit (which shall be the same percentage of the Purchase Price as is indicated in the schedule below opposite the last rental payment date), shall pay interest thereon from the end of such term to the date of such payment at the highest prime rate of interest on 90-day unsecured loans charged to its largest most credit-worthy customers by any of the four New York City banks having the largest total assets (based on the most recent preceding available annual reports of such banks) in effect on the date such payment is made. Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor and that no Event of Default has occurred and is continuing hereunder, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor after deduction from such excess of the reasonable expenses of the Lessee incident to such sale.

Subject to adjustment pursuant to the provisions of § 19 hereof, the Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of each such Unit as is set forth in the following schedules opposite such date:

<u>Date</u>	<u>Percentage</u>
July 1, 1975	102.2500
January 1, 1976	104.1446
July 1, 1976	104.9961
January 1, 1977	105.5603
July 1, 1977	105.8464
January 1, 1978	105.8726
July 1, 1978	105.6417
January 1, 1979	98.7516
July 1, 1979	98.0267
January 1, 1980	97.0665
July 1, 1980	95.8764
January 1, 1981	88.0576
July 1, 1981	86.4376
January 1, 1982	84.6196
July 1, 1982	82.6552
January 1, 1983	74.1583
July 1, 1983	71.9477
January 1, 1984	69.6160
July 1, 1984	67.1613
January 1, 1985	64.5864
July 1, 1985	61.8890
January 1, 1986	59.0717
July 1, 1986	56.1478
January 1, 1987	53.1410
July 1, 1987	50.0503
January 1, 1988	46.8792
July 1, 1988	43.6325
January 1, 1989	40.3081
July 1, 1989	36.9038
January 1, 1990	33.4171
July 1, 1990	29.8459
January 1, 1991	26.1875
July 1, 1991	22.4395
January 1, 1992	18.5993
July 1, 1992 (and thereafter)	15.0000

The Casualty Values hereinbefore set forth are sub-

ject to adjustment pursuant to § 19 hereof; provided, however, that no such adjustment shall reduce the Casualty Values below that which is necessary to satisfy the obligations of the Lessor under the Security Document.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned or operated by it and the benefits thereof shall be payable to the Vendor, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the Security Document shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Lessee will deliver certificates evidencing any insurance effected or in force in accordance with the provisions of this paragraph and will cause such certificates to be endorsed so as to obligate the insurers thereunder to notify the Lessor at least 30 days in advance of any pending cancelation or material modification. If the Lessor shall receive any insurance proceeds or condemnation payments and the Lessee shall have made payments pursuant to this § 7 without deduction for such insurance proceeds or such condemnation payments, the Lessor shall pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor after payment by the Lessor of the Lessee's reasonable expenses in connection therewith. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports. On or before March 31 in each year commencing with the calendar year 1976, the Lessee will furnish to the Lessor and the Vendor an accurate statement

(a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Document, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by § 5 hereof and the Security Document have been preserved or replaced. The Lessor shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

The Lessee agrees to furnish the Lessor and the Vendor (i) as soon as practicable after the end of each quarterly fiscal period in each fiscal year of the Lessee, and in any event within 60 days thereafter, copies of the consolidated balance sheet of the Lessee and its consolidated subsidiaries as of the end of each such quarter and consolidated statements of income and of surplus of the Lessee and its consolidated subsidiaries for each such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter, setting forth in each case in comparative form, the figures for the corresponding periods in the previous fiscal year, all in reasonable detail and certified as complete and correct, subject to changes resulting from year-end adjustments, by a principal financial officer of the Lessee; (ii) as soon as practicable after the end of each fiscal year of the Lessee, and in any event within 120 days thereafter, copies of the consolidated balance sheet of the Lessee and its consolidated subsidiaries at the end of such year, and consolidated statements of income and of surplus of the Lessee and its consolidated subsidiaries for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an opinion thereon of independent certified public accountants of recognized national standing selected by the Lessee which opinion shall state that such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied (except for changes in application in which such accountants concur) and that the examination of

such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances; (iii) promptly upon their becoming available, copies of periodic reports and any prospectus filed by the Lessee or any subsidiary of the Lessee with any securities exchange or with the Securities Exchange Commission or any successor agency; (iv) immediately upon becoming aware of the existence of any condition or event which constitutes an Event of Default under this Lease or an event of default under the Security Document, a written notice which specifies the nature of the claimed Event of Default or event of default and what action the Lessee is taking or proposes to take with respect thereto; (v) immediately upon becoming aware that any holder of interest in the aggregate Conditional Sale Indebtedness then outstanding has given notice or taken any action in respect to a claimed Event of Default or event of default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed Event of Default or event of default and what action the Lessee is taking or proposes to take with respect thereto; and (vi) with reasonable promptness, such other data as from time to time may be reasonably requested.

Each set of financial statements delivered to the Lessor and the Vendor will be accompanied by a certificate of the President or Vice President and Treasurer or an Assistant Treasurer of the Lessee setting forth that the signers have reviewed the relevant terms of this Lease, the Security Document, the Assignment, the Lease Assignment and the Consent and have made, or caused to be made, under their supervision a review of the transactions or conditions of the Lessee and its subsidiaries from the beginning of the accounting period covered by the income statements being delivered therewith to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event which constitutes an Event of Default under this Lease or an event of default under the Security Document or if any such condition or event existed or exists, or if an event has occurred which, with the giving of notice or the passage of time or both, would constitute such an Event of Default or an event of default under the Security Document,

specifying the nature and period of existence thereof and what action the Lessee has taken or proposes to take with respect thereto.

The Lessee will permit the Lessor, the Vendor or any representatives of the holders of interests in the Conditional Sale Indebtedness (as defined in the Security Document) then outstanding (at its or their expense) to examine all books and accounts, records and reports and other papers of the Lessee or any subsidiary, to make copies and extracts therefrom and to discuss its affairs, finances and accounts with its officers, employees and independent public accountants (and by this provision the Lessee authorizes its accountants to so discuss its affairs) all at such reasonable times and as often as may be reasonably requested.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builders under the provisions of Items 3 and 4 of Annex A to the Security Document. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the Department of Trans-

portation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Document.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered accessions thereto as hereinbelow provided) which is subject to this Lease in good order and repair, reasonable wear and tear excepted and will also maintain each Unit in accordance with the standards, from time to time in effect, under the Interchange Rules of the Association of American Railroads, if applicable.

Any and all additions to any Unit and any and all parts installed on and additions and replacements made to any Unit shall constitute accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Security Document) shall immediately be vested in the Lessor and the Vendor as their respective interests appear in the Unit itself. The Lessee may make alterations or modifications to any Unit so long as they do not affect the value of such Unit adversely.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against either of them because of the use in or about the construction or operation of any of the Equipment of any article or material specified by the Lessee and not manufactured by the Builders or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builders which infringes or is claimed to infringe on any patent or other right.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of the Security Document or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease. The indemnities arising under this paragraph and the next preceding paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee; provided, however, that the Lessor shall, to the extent appropriate, join in and execute such reports.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

A. default shall be made in payment of any part of the rental provided in § 3 or § 13 hereof, and such default shall continue for 5 business days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or

in the Consent, and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extension (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, and under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and there-

upon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thereafter hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee with respect to such action or inaction; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice of termination: (x) a sum equal to (A) the excess, if any, of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Units which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Units over the then present value of the rentals which the Lessor reasonably estimates to be obtainable for such Units during such period, such present value to be computed in each case on the basis of an 11% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus (B) an amount which, after deduction of all taxes required to be paid by the Lessor in respect of all amounts payable by the Lessee to the Lessor hereunder under the laws of any Federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Lessor, be equal to all or such portion of the Investment Credit (as defined in § 19 hereof) lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made

by the Lessee in § 19 or any other provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall, in the reasonable opinion of the Lessor, cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the ADR Deduction and the Interest Deduction (as such deductions are defined in § 19 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 19 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default plus such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination specified for payment in such notice of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination specified for payment in such notice of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing

remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit returned to the Lessor pursuant to this § 11 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any accession as provided in § 9 hereof and (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been so interchanged) and at the usual speed, place such Units upon such storage tracks or cause such Units to be transported to such point or points as the Lessor reasonably may designate; and

(b) permit the Lessor to store such Units on such tracks or premises until such Units have been sold, leased or otherwise disposed of by the Lessor.

If this Lease shall be terminated by the Vendor pursuant to Article 16 of the Security Document, the Lessee shall, at its own cost, expense and risk, comply with all the provisions of Article 17 of the Security Document relating to the obligations of the Lessor with respect to the assembling, storage, transportation and inspection of the Units.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. In the event that the Units or any thereof are sold pursuant to the exercise of the Vendor's remedies under the Security Document, the Lessee shall pay to the Vendor the per diem interchange for each such Unit which shall not have been assembled, delivered and stored, as hereinbefore provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser thereof.

The Lessee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any Unit of the Equipment in any reasonable manner.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Benefits; Possession and Use.
This Lease shall be assignable in whole or in part by the

Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10, 11 and 19 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the Vendor).

The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease or under the Consent, and no event of default shall have occurred and be continuing under the Security Document, and the Lessee shall have fully complied with the provisions of this § 12, the Lessee and any of its affiliates shall be entitled to the possession and use of the Units in accordance with the terms hereof, and the Lessee may also (a) furnish any Unit or Units to railroad companies for use upon the lines of railroad owned or operated by them or over which they have trackage rights and upon connecting and other carriers in the usual interchange of traffic, or to others than railroad companies, or (b) sublease any Unit or Units to any person or entity, but only, in either case, upon and subject to all the terms and conditions of this Lease and the Security Document, and to all rights of the Vendor under the Security Document and of the Lessor hereunder.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled (subject to the rights of the Vendor and the Lessor referred to in the next preceding paragraph and the next succeeding sentence) to the possession of the Units

included in such sublease and the use thereof, and, subject to the provisions of § 5, may provide for lettering or marking upon such Units for convenience of identification of the leasehold interest of such sublessee therein. Every such sublease shall be subject to the rights of the Vendor under the Security Document and the Lessor under this Lease in respect of the Units covered by such sublease and the Lessee hereby agrees to transfer and assign to the Vendor all amounts due and payable under any such sublease and the Lessor consents to such assignment. It is understood and agreed that the Lessee will act as the agent of the Vendor to collect and receive all payments due and to become due under the subleases in respect of the Units, provided that if an Event of Default under this Lease shall occur and be continuing, the Vendor may terminate such agency and such agency shall terminate immediately upon notice of such termination from the Vendor to the Lessee and provided further that prior to receipt of such notice the Lessee may make such use of any moneys received pursuant to its agency as it would otherwise be entitled to except for the assignment of such moneys under the subleases.

The Lessor shall have the right to declare the lease provided for herein terminated in case of any unauthorized assignment or transfer of the Lessee's rights hereunder or in case of any unauthorized transfer or sublease of any of the Units.

The Lessee agrees not to use or permit the use at any one time of Units having a Purchase Price in excess of 10% of the aggregate Purchase Price of all the then existing Units in any jurisdictions in which the security title of the Vendor or the title of the Lessor has not been effectively protected.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Security Document) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger or consolidation, be in default under any provision of this Lease.

§ 13. Renewal Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for one additional 8-year period commencing on the scheduled expiration of the original term of this Lease, as the case may be, provided that no such extended term extends beyond July 1, 2000. The rental payments for such extended term shall each be in an amount equal to 1.7164% of the Purchase Price of each such Unit for each such semiannual rental payment. Renewal rentals shall be payable semiannually, in arrears, on January 1 and July 1 for each year of the renewal term.

In the event the Lessor elects to sell the Units to third parties within six months following the expiration of the initial or extended term of this Lease, the Lessor shall in a commercially reasonable manner solicit offers to buy such Units, and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable offer, and the Lessee shall have a right of first refusal exercisable by written notice, delivered within 10 days of the receipt of said copy, to purchase such Units at the sale price set forth in such offer.

§ 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit, and in any event not later than 120 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding four months and transport the same, at any time within such four-month period, to any reasonable place on the lines of any railroad within the United States at an expense not greater than the cost to return to Chicago for shipment, all as directed by the Lessor; the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or

of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any accession as provided in § 9 hereof and (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable.

§ 15. Representations and Warranties. The Lessee represents and warrants as follows:

A. the Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is either qualified to do business in such other jurisdictions in which the business and activities of the Lessee require such qualification, or the Lessee agrees to qualify to do business in such other jurisdictions where it may subsequently be required to do so;

B. the Lessee has full power, authority and legal right to carry on its business as now conducted and is duly authorized and empowered to execute and deliver the Consent and this Lease;

C. there are no actions, suits or proceedings (whether or not purportedly on behalf of the Lessee) pending or (to the knowledge of the Lessee) threatened against or affecting the Lessee or any property rights of the Lessee at law or in equity, or before any commission or other administrative agency, which could materially and adversely affect the condition, financial or otherwise, of the Lessee; and the Lessee (to its knowledge) is not in default with respect to any order or decree of any court or governmental commission, agency or instrumentality;

D. the Lessee is not a party to any agreement or instrument or subject to any charter or other corporate restriction materially and adversely affecting the business of the Lessee, or the operations, property or assets or conditon, financial or otherwise, of the Lessee;

E. the Lessee (to the best of its knowledge) is not presently in default under any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it may be bound and neither the execution and delivery of this Lease, the Consent, nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality, or of the corporate charter (as amended) or the by-laws (as amended) of the Lessee or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder, or result in the creation or imposition of any lien, charge, security interest or other encumbrance of any nature whatsoever upon any property of the Lessee pursuant to the terms of any such agreement or instrument.

F. no mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interest therein of the Lessee, now attaches or hereafter will attach to the Units or in any manner affects or will affect adversely the Vendor's or the Lessor's right, title and interest therein; provided, however, that such liens may attach to the leasehold interest of the Lessee hereunder in and to the Units;

G. neither the execution and delivery by the Lessee of this Lease and the Consent, nor the consummation of any of the transactions by the Lessee contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the Interstate Commerce Commission or any other Federal, state or foreign governmental authority or agency, except the filing and recording of such documents with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act;

H. the Consent and this Lease have been duly authorized, executed and delivered by the Lessee and, assuming due authorization, execution and delivery thereof by the other parties thereto, the Consent, this Lease and the assignment of the Lease to the Vendor constitute legal, valid and binding agreements of the Lessee, enforceable in accordance with their respective terms, subject in the case of the enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally;

I. the Security Document (and any assignment thereof), the Consent and this Lease (and any assignment hereof) have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and such filing and recordation will protect the Vendor's and the Lessor's interest in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state or local government or agency thereof is necessary in order to protect the interests of the Vendor or the Lessor in and to the Units in the United States of America;

J. no material adverse change has occurred in the condition, financial or otherwise, of the Lessee since December 31, 1974;

K. the Lessee or its parent, Tiger International, Inc., on its behalf, has filed all Federal, state and local tax returns which (to its knowledge) are required to be filed, and has paid, or made provisions for the payment of, all taxes which have or may become due pursuant to said returns or pursuant to any assessment received by it, other than taxes which are being contested in good faith and except for returns for which extension of time have been granted by appropriate authorities and which in the aggregate do not involve material amounts; and

L. the "net earnings available for fixed charges" of the Lessee (as the terms "net earnings available for fixed charges" and "fixed charges" are defined in subdivision 2 of section 81 of the New York Insurance Law) for the period of five fiscal years next preceding the date of this Lease have averaged per year not less than one and one-half times the average annual fixed charges of the Lessee applicable to such period and,

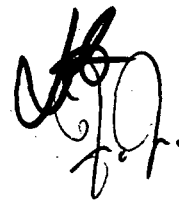
during one of the last two years of such period, have been not less than one and one-half times the fixed charges of the Lessee for such year, either on a consolidated or nonconsolidated basis.

The Lessee's representations and warranties in this § 15 shall be true on and as of each Closing Date with the same force and effect as though such representations and warranties had been made on and as of each Closing Date; and on each Closing Date the Lessee shall not be in default under the Consent or this Lease; and on each Closing Date the Lessee shall have delivered to the Lessor and the Vendor a certificate of an officer to that effect.

On each Closing Date the Lessee will deliver to the Lessor two counterparts of the written opinion of counsel for the Lessee, addressed to the Lessor and the Vendor, in scope and substance satisfactory to the Lessor, the Vendor and their respective counsel, to the effect set forth in clauses A through I in the second immediately preceding paragraph.

§ 16. Recording. The Lessee, at its own expense will cause this Lease, the Security Document, the Consent and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Document and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, re-register, deposit and redeposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Security Document or the assignments thereof to the Vendor and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor; provided, however, that the Lessor and the Lessee shall not be required to take any such action (other than filing and recording under Section 20c of the Interstate Commerce Act) so long as no units of the Equipment are removed from the United States, ~~to any place other than~~ *Vendee* Mexico or the Province of Quebec, if (1) ~~it~~ *it* deems such action unduly burdensome, (2) after giving effect to the failure to take such action, all action required by law has been

Furthermore, such action shall not be required in



taken so as to protect the security title of the Vendor to units of Equipment having a Purchase Price of not less than 90% of the aggregate Purchase Price of all of the then existing Units. This Lease, the Security Document and the Consent shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any non-payment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest at the rate specified in the sixth paragraph of Article 4 of the Security Document, upon the overdue rentals and other obligations for the period of time which they are overdue or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first-class certified, addressed as follows:

(a) if to the Lessor, at 400 North St. Paul, Dallas, Texas 75222, attention of Fraser Noble, President; and

(b) if to the Lessee, at 222 South Riverside Plaza, Chicago, Illinois 60606, attention of Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above such party. Any notice to the Lessee regarding the Lessee's failure to perform any obligation hereunder shall also be furnished to the Vendor.

§ 19. Federal Income Taxes. The Lessor, as the owner of the Units, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), to an owner of property, including, without limitation, (i) the maximum depreciation deduction with respect to the Units authorized under Section 167 of the Code utilizing the "asset depreciation range" of twelve years for the Units prescribed in accordance with section

167(m) of the Code, for an asset described in Asset Guideline Class No. 00.25 as described in Revenue Procedure 72-10. I.R.B. 1972-B, employing the double-declining-balance method of depreciation switching to the sum-of-the-years-digits method of depreciation when most beneficial to the Lessor, utilizing the half-year convention as provided in regulation 1.167(a)-11(c)(2)(iii) (such deduction being herein called the ADR Deduction), (ii) deductions with respect to interest payable under the Security Documents pursuant to section 163 of the Code (such deduction being herein called the Interest Deduction), and (iii) the 10% investment credit (herein called the Investment Credit) with respect to the Purchase Price of the Units pursuant to section 38 and related sections of the Code. The Lessor agrees that it will claim the Investment Credit, the ADR Deduction and the Interest Deduction to the extent permissible under the Code, and that it shall elect the half-year convention under regulation 1.167(a)-11(c)(2)(iii).

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee agrees to keep and make available for inspection and copying by the Lessor such records as will enable the Lessor to determine the extent to which it is entitled to the benefit of the Investment Credit, the ADR Deduction and the Interest Deduction with respect to the Units.

The Lessee represents and warrants that (i) all the Units constitute property the full Purchase Price of which qualifies for the Investment Credit under section 50 of the Code; (ii) at the time the Lessor becomes the owner of the Units, the Units will constitute "new section 38 property" within the meaning of section 48(b) of the Code and at the time the Lessor becomes the owner of the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iii) at all times during the term of this Lease, each Unit will constitute "section 38 property" within the meaning of Section 48(a) of the Code; (iv) the Lessee will maintain sufficient records to verify such use; and (v) upon request of the Lessor, the Lessee will provide written reports establishing such use.

If for any reason (including the inaccuracy in law or in fact of the representations and warranties set forth in the preceding paragraph or any act or omission of the Lessee), the Lessor shall lose, or shall not have, or shall have lost the right to claim, or shall suffer a disallowance of or shall suffer recapture of, all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction with respect to any Unit, then the rentals for the Units set forth in § 3 hereof shall, on the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact and payment of the tax by the Lessor with respect thereto be increased to such amount or amounts as shall cause the Lessor's net after-tax return to equal the net after-tax return that would have been realized by the Lessor if the Lessor had been entitled to utilize all the Investment Credit, the ADR Deduction and the Interest Deduction. The computation of Lessor's net after-tax return wherever required in this Lease shall be computed in a manner consistent with the Lessor's analysis at the inception of the Lease which produced a net after-tax return to Lessor of 8.933% based on the following assumptions: (a) tax rate of 48%; (b) utilization of 10% Investment Credit; (c) ADR Guideline Depreciation (Asset Guideline Class 00.25) using the double-declining-balance method of depreciation with a change to the sum-of-the-years-digits method of depreciation when appropriate; (d) assumed interest rate of 11-1/8% per annum on the indebtedness under the Conditional Sale Agreement; (e) a rental factor as reflected in this Lease; (f) residual value of Equipment equal to 15% of the Purchase Price; (g) an equity investment in the transaction equal to 31.33% of the Purchase Price of the Equipment and a fee equal to 2.25% of the Purchase Price of the Equipment; (h) a cost of equity funds equal to 11.00% per annum and (i) such other factors as may be reflected in the letter of intent between Lessor and Lessee dated as of April 3, 1975. The Lessee shall forthwith pay to the Lessor as additional rental the amount of any interest and/or penalties which may be assessed by the United States of America or any other taxing jurisdiction against the Lessor and paid by Lessor which are attributable to the loss of all or such portion of the Investment Credit, the ADR Deduction or Interest Deduction; provided, however, that such rental rate shall not be so increased and no other payments shall be required hereunder if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been

required to recapture all or any portion of the Investment Credit, the ADR Deduction or the Interest Deduction with respect to such Unit as a direct result of the occurrence of any of the following events:

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under § 7 hereof;

(ii) a transfer or other disposition by the Lessor of any interest in such Unit or the reduction by the Lessor of its interest in the rentals from such Unit under the Lease, unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Lessor to claim in a timely manner the Investment Credit, the ADR Deduction or the Interest Deduction;

(iv) the failure of the Lessor to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable;

(v) the failure of the Lessor to follow the procedure set forth herein in contesting a claim made by the Internal Revenue Service with respect to the disallowance of such Investment Credit, ADR Deduction or Interest Deduction; or the release, waiver, compromise or settlement of such claim by the Lessor without the prior written consent of the Lessee;

(vi) any amendment of the Security Documents without the prior written consent of the Lessee;

(vii) any change after the date of first settlement for any unit hereunder in any law in respect to Federal income taxes.

In the event a claim shall be made by the Internal Revenue Service with respect to the disallowance or recapture of the Lessor's Investment Credit, ADR Deduction or Interest Deduction in respect of any Unit, the Lessor agrees to take such action in connection with contesting such claim as the Lessee shall reasonably request from time to time; provided, however, that: (i) within 30 days after notice by the Lessor to the Lessee of such claim, the Lessee shall

make request that such claim be contested; (ii) the Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such claim and may, at its sole option, either pay (in which event the additional rental provided for in this § 19 will become due and payable) the tax and any interest and/or penalty claimed and sue for a refund in the appropriate United States District Court and/or the United States Court of Claims, as the Lessor shall elect, or contest such claim in the Tax Court of the United States, considering, however, in good faith such request as the Lessee shall make concerning the most appropriate forum in which to proceed; (iii) prior to taking such action, the Lessee shall have furnished the Lessor with an opinion of independent tax counsel satisfactory to the Lessor to the effect that a meritorious defense exists to such claim; and (iv) the Lessee shall have indemnified the Lessor in a manner satisfactory to it for any liability or loss which the Lessor may incur as the result of contesting such claim and shall have agreed to pay the Lessor on demand all costs and expenses which the Lessor may incur in connection with contesting such claim, including, without limitation, (A) reasonable attorneys' and accountants' fees and disbursements and (B) the amount of any interest or penalty which may ultimately be payable to the United States Government as the result of contesting such claim, and the Lessee shall have furnished reasonable security for such indemnification as may be requested. In the case of any such claim by the Internal Revenue Service referred to above, the Lessor agrees promptly to notify the Lessee in writing of such claim and agrees not to make payment of the tax claimed for at least 30 days after the giving of such notice and agrees to give to the Lessee any relevant information relating to such claim which may be particularly within the knowledge of the Lessor, and shall otherwise cooperate with the Lessee in good faith in order effectively to contest any such claim. The Lessor will not agree to the release, compromise or settlement of any action or proceeding taken in accordance with this § 19 by the Lessor without the prior written consent of the Lessee.

If, after the rental rate hereunder has been increased or the Lessor has received any other payment from the Lessee as a result of the loss, disallowance or recapture of the Investment Credit, ADR Deduction or Interest Deduction with respect to a Unit, the Lessor's right to claim all or any part of the Investment Credit, ADR Deduction or Interest

Deduction with respect thereto shall be established by the final judgment or decree of the court or administrative agency having jurisdiction thereof or a compromise or settlement of any contest of such loss, disallowance or recapture shall be effected (either event being hereinafter referred to as a "Final Settlement") then the rental payable by the Lessee to the Lessor in respect of such Unit shall be reduced to the rental rate that would have been in effect if such increase in rental had not been made (or if the Final Settlement is partly in favor of and partly adverse to the Lessor, to the extent such adverse portion of the Final Settlement results from a cause required to be indemnified by the Lessee hereunder, such rentals shall be reduced to a level which will cause the Lessor's net after-tax return to equal the net after-tax return which would have been realized by the Lessor had such Final Settlement not been adverse) and such reduced rental shall be payable by the Lessee on the rental payment date next succeeding such Final Settlement and thereafter. In addition, the Lessee and the Lessor shall adjust their accounts so that (i) the Lessor pays to the Lessee (a) an amount equal to the increase in rentals theretofore paid by the Lessee to the Lessor pursuant to the first sentence of the fourth paragraph of this Section 19 (or a portion of such increase in rentals determined on the basis set out above if the Final Settlement is partly in favor of and partly adverse to the Lessor) on or before such next succeeding rental payment date and (b) the amount of any penalty or interest theretofore paid by Lessee to Lessor which is refunded to the Lessor as a result of such Final Settlement promptly upon receipt thereof; and (ii) the Lessee pays to the Lessor the difference, if any, between (x) an amount equal to interest at the rate of 11% per annum on any Federal income taxes, interest and penalties paid by the Lessor on account of the disallowance or inability to claim the Investment Credit, ADR Deduction or Interest Deduction on such Unit for any cause required to be indemnified by the Lessee hereunder (provided that the Lessor has not theretofore been reimbursed for such taxes, interest and penalties pursuant hereto) and (y) the interest received by the Lessor on the tax refund made pursuant to the Final Settlement, computed for the period from the date of original payment of such Federal income taxes, interest and penalties by the Lessor to the date such tax refund is received by the Lessor.

In the event the Lessor shall, without the consent of Lessee, release, waive, compromise or settle any claim relating to the disallowance or recapture of the Investment

SCHEDULE A TO LEASE

<u>Type and Mechanical Designation</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
Class LO, 100 ton, 4,750 cubic foot capacity covered hopper car	100	NAHX 57300-57309 NAHX 57491-57500 NAHX 476788-476793 NAHX 476841-476845 NAHX 476856-476858 NAHX 476876-476885 NAHX 476905-476922 NAHX 476928-476930 NAHX 476934-476938 NAHX 476974-476983
Class LO, 100 ton, 3,000 cubic foot pressure differential hopper car	15	NAHX 93195 NAHX 93421-93434
Class LO, 100 ton, 4,750 cubic foot capacity covered hopper car	25	NAHX 476579-476599 NAHX 477200-477203
TOTAL	<u>140</u>	

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